

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND
Charter Township of Harrison, Michigan**

**FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2007**

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



**CHARTER TOWNSHIP OF HARRISON
FIREMEN’S PENSION FUND**

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor’s Report	1
Basic Financial Statements:	
Statement of Plan Net Assets	2
Statement of Changes in Plan Net Assets	3
Notes to Financial Statements	4
Supplementary Information	
Schedule of Funding Progress	9
Schedule of Employer Contributions	10

Firemen's Retirement Board
Charter Township of Harrison
Firemen's Pension Fund

We have audited the accompanying Statement of Plan Net Assets of the **Charter Township of Harrison Firemen's Pension Fund** (a fund of the Charter Township of Harrison, Michigan) as of December 31, 2007, and the Related Statement of Changes in Plan Net Assets for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Harrison, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Firemen's Pension Fund and do not purport to, and do not present fairly the financial position of the Charter Township of Harrison, Michigan, as of December 31, 2007, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the **Charter Township of Harrison Firemen's Pension Fund** as of December 31, 2007, and the changes in the financial status for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.


Certified Public Accountants

May 13, 2008

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND**

**STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2007**

Assets

Cash and Cash Equivalents	<u>\$ 368,495</u>
Investments, at fair value -	
Corporate Debt	1,883,122
Unit Investment Trusts	48,339
Stock/Equities	932,792
Open End Mutual Funds	11,073,210
Closed End Mutual Funds	1,118,055
Alternate Investments (Hedge Funds)	<u>399,746</u>
	<u>15,455,264</u>
Receivables -	
Employer Contributions	33,522
Interest and Dividend Receivable	<u>1,575</u>
	<u>35,097</u>
 Total Assets	 <u>15,858,856</u>
 Net Assets Held in Trust for Pension Benefits	 <u><u>\$ 15,858,856</u></u>

The "schedule of funding progress" is presented in the supplementary information

The accompanying notes are an integral part of the financial statements.

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND**

**STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Additions:

Investment Income -	
Net depreciation in fair value of investments	\$(100,906)
Interest and dividends	561,269
	<u>460,363</u>
Less investment expense	(13,126)
Net Investment Income	<u>447,237</u>
Contributions -	
Employer contribution	495,935
Employee contribution	101,058
Total contributions	<u>596,993</u>
Total Additions	1,044,230

Deductions:

Benefit payments and refunds to participants	<u>943,183</u>
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Net Increase	101,047
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Net Assets Held in Trust for Pension Benefits -

Beginning of year	<u>15,757,809</u>
End of year	<u><u>\$ 15,858,856</u></u>

The accompanying notes are an integral part of the financial statements.

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 - DESCRIPTION OF PLAN:

The following brief description of the Charter Township of Harrison Firemen's Pension Fund (the "System") is provided for general information purposes only. Participants should refer to the Plan agreement or direct inquiries to the Plan administrator for more complete information.

General -

The Charter Township of Harrison Firemen's Pension Fund (the "System") is a single-employer defined benefit pension plan that is administered by the Charter Township of Harrison Firemen's Pension Board; this Plan covers substantially all full-time employees of the Charter Township of Harrison. The System's financial statements are also included in the government-wide financial statements of the Charter Township of Harrison (the "Township") as a pension trust fund.

The System provides retirement, disability, and death benefits to Plan members and their beneficiaries in accordance with the Township's pension ordinance. At December 31, 2006, membership consisted of retirees and beneficiaries currently receiving benefits, inactive employees entitled to benefits, but not yet receiving them, and current active employees.

The System is to be administered as a qualified pension plan under the Fire Fighters and Police Officers' Retirement Act 345 of 1937, as amended.

The Plan provides eligible participants with retirement benefits as well as disability benefits. All retirement benefits fully vest after 20 years of credited service, with partial vesting granted for service 10 and 20 years. Employees who retire at age 55 are entitled to an annual retirement benefit, payable monthly in an amount equal to 2.8% of 3-year average final compensation (AFC) times first 20 years of service plus 1.8% of AFC times years of service in excess of 20 years, up to 25 years plus 1% of AFC times years of service in excess of 25 years, up to 30 years. Maximum benefit is 70% times AFC.

At December 31, 2006, the Plan Participants consisted of:

Retirees and beneficiaries currently receiving benefits	27
Terminated plan members entitled to but not yet receiving benefits	1
Active plan members	<u>28</u>
Total	<u><u>56</u></u>

Party-in-interest -

Certain System investments were on deposit in funds managed by Raymond James Bank, an affiliated company of Raymond James and Associates, Inc., which was the Trustee as defined by the System and therefore those transactions qualified as party-in-interest.

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting – The System uses the accrual method of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, disclosure of contingent asset and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition – The System's investments are stated at quoted market prices, if available. Investments that have no quoted market price are stated at estimated fair market value as determined by the Trustee. Securities traded on a national exchange are valued at the last reported sales price.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

Actuarial Present Value of Accumulated Plan Benefits – Accumulated plan benefits are those future periodic payments including lump-sum distributions that are attributable under the System's provisions to the services employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the System are based on employees' compensation during their last three years of credited service. The accumulated plan benefits for active employees are based on their average compensation during the three years ending on the date as of which the benefit information is presented (the valuation date). Benefits payable under all circumstances, retirement, death, disability, and termination of employment, are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an actuary from the Gabriel Roeder Smith and Company. That amount results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The foregoing actuarial assumptions are based on the presumption that the System will continue. If the System were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Required Contribution - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 5% of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates, the current rate is 23.14% of covered payroll.

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Net Appreciation (Depreciation) in Fair Value of Investments – Net realized and unrealized appreciation (depreciation) is recorded in the accompanying financial statements as net appreciation (depreciation) in fair value of investments.

Administrative Costs – Administrative costs of the system are financed through investment earnings. Such costs are netted against investment earnings and the amount is not known.

NOTE 3 - CASH AND INVESTMENTS:

State of Michigan statutes authorize the System to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively, and in commercial paper of corporations located in the State rated prime by at least one of the standard rating services. The System is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The System's investment policy allows for all of these types of investments. The System is also allowed to invest in corporate stocks and bonds. Investments of the System are subject to a number of restrictions as to type, quality and concentration of investments.

The System's investments are reported at fair value and are held in a trust fund administered by Raymond James and Associates.

The System's deposits and investments are included on the Statement of Plan Net Assets under the following classifications as of December 31, 2007:

Cash and cash equivalents	\$ 368,495
Investments	<u>15,455,264</u>
	<u>\$ 15,823,759</u>

The above amount is categorized as follows at December 31, 2007:

Corporate Debt	\$ 1,883,122
Unit Investment Trusts	48,339
Stock/Equity	658,445
Open End Mutual Funds	11,073,210
Closed End Mutual Funds	1,118,055
REIT's/Tangibles	274,347
Alternate Investments (Hedge Funds)	<u>399,746</u>
	<u>\$ 15,455,264</u>

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 - CASH AND INVESTMENTS - (cont'd):

Credit Risk – Investments – is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Harrison Township Firefighter's Pension System specifies that all debt securities must have a qualifying rating of B++ or better at the time of purchase. As of year-end, the credit quality ratings of investments are as follows:

Investments	Fair Market Value	Rating	Rating Organization
Corporate Debt	\$ 96,238	AAA	S & P
Corporate Debt	313,043	A+	S & P
Corporate Debt	368,018	A	S & P
Corporate Debt	174,348	BBB+	S & P
Corporate Debt	158,350	BBB-	S & P
Corporate Debt	303,095	BB+	S & P
Corporate Debt	67,626	BB	S & P
Corporate Debt	68,844	B	S & P
Corporate Debt	180,640	B-	S & P
Corporate Debt	117,920	CCC+	S & P
Corporate Debt	35,000	A1	Moody's

Custodial Credit Risk – Investments – is the risk that in the event of the failure of the counterparty, the System may not be able to recover the value of its investments that are in the possession of another party. The System's policy requires that securities may be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. As of December 31, 2007, \$15,455,264 of investments were held in third-party safekeeping not in the System's name; however, they were evidenced by safekeeping receipts.

Concentration of Credit Risk – Investments – is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer.

The Harrison Township Firefighter's Pension System specifies that certain minimums and maximums may be invested in any asset class (Equities, Bonds, Cash). Also, no more than \$500,000 or 10% of the fund, whichever is greater, may be invested in any one company.

Interest Rate Risk – Investments – is the risk that the value of investments will decrease as a result of a rise in interest rates. The System's investment policy does not have specific limits on maturities of debt securities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year-end, the System's investments had the following range of maturity dates:

Investment Type	Fair Value	Maturity (Years)			
		<1	1-5	6-10	>10
Corporate Debt	\$ 1,883,122	\$ 162,283	\$ 673,731	\$ 470,424	\$ 576,684

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 4 - ACTUARIAL ASSUMPTIONS:

The following assumptions were used to determine the actuarial present value of accumulated plan benefits for December 31, 2006:

Actuarial Cost Method	Individual Entry-Age Actuarial Cost
Amortization period	30 years
Assumed Rate of Return on Investments	7.5 %
Mortality Basis	1971 Group Annuity Mortality
Projected Salary Increases	4.5 % - 14.2 %
Cost-of-Living Adjustment	None

NOTE 5 - RESERVE OF NET ASSETS:

As of December 31, 2007, the System reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 1,246,479
Reserve for employer's contributions	7,761,777
Reserve for retired benefit payments	<u>6,850,600</u>
	<u>\$ 15,858,856</u>

NOTE 6 - RISKS AND UNCERTAINTIES:

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Plan Net Assets.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subjected to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

SUPPLEMENTARY INFORMATION

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND**

**SUPPLEMENTARY INFORMATION
(Unaudited)**

Schedule of Funding Progress

Actuarial Valuation Date (December 31)	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL Attained) Age	(b-a) Unfunded Actuarial Accrued Liability (Asset)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a % of Covered Payroll
12/31/1998	\$ 10,305,241	\$ 10,714,962	\$ 409,721	96.2%	\$ 1,482,110	27.6%
12/31/1999	11,111,722	11,091,891	(19,831)	100.2%	1,636,166	0.0%
12/31/2000	11,916,284	12,028,593	112,309	99.1%	1,828,011	6.1%
12/31/2001	12,483,861	12,291,086	(192,775)	101.6%	1,678,054	0.0%
12/31/2002	12,816,039	12,921,489	105,450	99.2%	1,949,550	5.4%
12/31/2003	13,592,377	13,706,190	113,813	99.2%	2,046,793	5.6%
12/31/2004	14,400,476	14,294,856	(105,620)	100.7%	1,863,799	(5.7)%
12/31/2005	14,821,085	15,779,232	958,147	93.9%	1,992,634	48.1%
12/31/2006	15,500,248	16,693,350	1,193,102	92.9%	1,994,621	59.8%

**CHARTER TOWNSHIP OF HARRISON
FIREMEN'S PENSION FUND**

**SUPPLEMENTARY INFORMATION
(Unaudited)**

Schedule of Employer Contributions

<u>Fiscal Year Ended (December 31)</u>	<u>Pension Cost</u>	<u>Actual Annual Contribution</u>	<u>Percent Contributed</u>
1998	\$ 360,499	\$ 360,499	100.00%
1999	380,264	380,264	100.00%
2000	362,451	362,451	100.00%
2001	345,071	345,071	100.00%
2002	429,662	429,662	100.00%
2003	437,191	437,191	100.00%
2004	410,281	410,281	100.00%
2005	436,636	436,636	100.00%
2006	409,663	409,663	100.00%
2007	495,935	495,935	100.00%